

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>EUP Regional Planning</i>	County <i>Chippewa</i>
Audit Date <i>9-30-04</i>	Opinion Date <i>11-5-04</i>	Date Accountant Report Submitted to State: <i>March 30, 2005</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <i>Anderson, Tackman & Co., P.C.</i>			
Street Address <i>16978 S. Riley Avenue</i>	City <i>Kincheloe</i>	State <i>MI</i>	ZIP <i>49788</i>
Accountant Signature <i>Anderson Tackman & Co P.C.</i>			

EASTERN UPPER PENINSULA REGIONAL PLANNING
AND DEVELOPMENT COMMISSION

BASIC FINANCIAL STATEMENTS

September 30, 2004

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Upper Peninsula Regional Planning
And Development Commission
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the governmental major funds, and aggregate other funds, of the Eastern Upper Peninsula Regional Planning and Development Commission as of and for September 30, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. .

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Upper Peninsula Regional Planning and Development Commission as of September 30, 2004, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

The Eastern Upper Peninsula Regional Planning and Development Commission implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments as of October 1, 2003. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on page 3 and the budgetary comparisons are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 5, 2004

Management's Discussion and Analysis

Eastern Upper Peninsula Regional Planning and Development Commission

Management's Discussion and Analysis
September 30, 2004

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide financial statements.

The Commission as a Whole

The Commission's combined net assets increased 38% from a year ago increasing from \$100,770 to \$194,472.

The Commission implemented GASB-34 accounting procedures for the period.

In a condensed format, the table below shows the net assets of Eastern Upper Peninsula Regional Planning and Development Commission.

	Governmental Activities 2004
Current Assets	\$ 185,525
Noncurrent Assets	<u>8,947</u>
Total Assets	<u>\$ 194,472</u>
Long-Term Debt Outstanding	\$ 6,338
Other Liabilities	<u>73,444</u>
Total Liabilities	<u>79,782</u>
Net Assets	
Invested in Capital Assets, Net of Debt	8,947
Unrestricted (Deficit)	<u>105,743</u>
Total Net Assets	<u>\$ 194,472</u>

Eastern Upper Peninsula Regional Planning and Development Commission

Management's Discussion and Analysis September 30, 2004

The current level of unrestricted net assets for our governmental activities stands at \$99,827, or about 38% of expenditures. This is within the targeted range set by the Commission's Board of Directors during its last budget process.

The following table shows the activities of the Commission.

	<u>Governmental Activities 2004</u>
Program Revenues	
Charges for Services	\$ 3,600
Operating Grants and Contributions	261,425
Other Income	<u>1,510</u>
Total Revenues	<u>266,535</u>
Program Expenses	
Planning/Economic Development	261,672
Asset Management	<u>1,687</u>
Total Expenses	<u>263,359</u>
Change in Net Assets	<u>\$ 3,176</u>

Governmental Activities

The Commission's total governmental revenues decreased by approximately \$51,046 primarily due to the different grants received.

Expenses decreased by only about \$33,289 during the year. This was primarily the result of close monitoring throughout the year.

Capital Asset and Debt Administration

At the end of 2004, the Commission had \$8,947 invested in a broad range of capital assets, machinery and equipment, and furniture.

Contacting the Commission's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the office, by mail at 524 Ashmun Street, Sault Ste. Marie, Michigan 49783, or by phone at (906) 635-1581.

Basic Financial Statements

Eastern Upper Peninsula Regional Planning and Development Commission

Statement of Net Assets September 30, 2004

	Governmental Activities
ASSETS:	
Current Assets	
Cash and Equivalents	\$ 17,116
Due from Governmental Units	163,348
Prepaid Expenses	5,061
Total Current Assets	185,525
Capital Assets	
Property and Equipment, (Net of Accumulated Depreciation)	8,947
Total Assets	\$ 194,472
LIABILITIES AND NET ASSETS:	
Current Liabilities	
Accounts Payable	\$ 9,736
Accrued Liabilities	6,771
Deferred Revenue	56,937
Total Current Liabilities	73,444
Long-Term Liabilities	
Accrued Compensated Absences	6,338
Total Liabilities	79,782
Net Assets	
Invested in Capital Assets - Net of Debt	8,947
Unrestricted	105,743
Total Net Assets	114,690
Total Liabilities and Net Assets	\$ 194,472

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Activities
Year Ended September 30, 2004**

		Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
	Expenses			
Functions/Programs				
Government Activities:				
Planning / Community Development	\$ 259,759	\$ 1,510	\$ 261,425	\$ 3,176
Total Governmental Activities	<u>\$ 259,759</u>	<u>\$ 1,510</u>	<u>\$ 261,425</u>	
Change in Net Assets				3,176
Net Assets Beginning				<u>111,514</u>
Net Assets Ending				<u>\$ 114,690</u>

Eastern Upper Peninsula Regional Planning and Development Commission

Balance Sheet Governmental funds September 30, 2004

	<u>General Fund</u>
Assets	
Cash and Investments	\$ 17,116
Due from Governmental Units	163,648
Prepaid Expenses	<u>5,061</u>
Total Assets	<u><u>185,825</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts Payable	9,736
Accrued Liabilities	6,771
Deferred Revenue	56,937
Due to Other Funds	<u>9,336</u>
Total Liabilities	<u>82,780</u>
Fund Balances:	
Undesignated	<u>102,745</u>
Total Liabilities and Fund Balances	<u><u>\$ 185,525</u></u>

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
September 30, 2004**

Total Fund Balances – governmental fund \$ 102,745

Capital Assets used in governmental activities are not financial
resources and therefore are not reported in the funds. These
consist of:

Equipment and Furniture	39,222
Accumulated Depreciation	<u>(30,275)</u>

Total Capital Assets 8,947

Some liabilities are not due and payable in the current period
and therefore are not reported in the funds. These consist of:

Compensated Absences	<u>(6,338)</u>
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Internal Service funds included with governmental activities 9,336

Net Assets of Governmental Activities \$ 114,690

Eastern Upper Peninsula Regional Planning and Development Commission

Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended September 30, 2004

	General Fund
Revenues	
Fees and Collections	\$ 1,510
Other Funding	54,362
State Sources	184,187
Local Sources	22,876
	<hr/>
Total Revenues	262,935
	<hr/>
Expenditures	
Planning/Community Development	260,963
	<hr/>
Total Expenditures	260,963
	<hr/>
Excess Revenues and Other Financing Sources Over Expenditures	1,972
	<hr/>
Fund Balance - October 1, 2003	100,773
	<hr/>
Fund Balance - September 30, 2004	\$ 102,745
	<hr/> <hr/>

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of
Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2004**

Net Change in Fund Balance – Total Governmental Funds	\$	1,972
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Amounts reported for governmental activities in the statements are different
because:

Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated Useful lives as depreciation expense. This is the amount by which capital Outlay (\$0) exceeded depreciation (\$709) in the current period.	(709)
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Internal Service fund activity included in governmental funds	<u>1,913</u>
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Change in Net Assets of Governmental Activities	\$ <u><u>3,176</u></u>
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**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Net Assets
Proprietary Fund
September 30, 2004**

Internal
Service Funds

Assets:

Due from Other Funds	\$ 9,336
Fixed Assets (Net of Accumulated Depreciation)	<u>5,527</u>

Total Assets	<u><u>14,863</u></u>
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Net Assets:

Invested in Capital Assets – Net of Debt	5,527
Unrestricted	<u>9,336</u>

Total Net Assets	<u><u>\$ 14,863</u></u>
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**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Revenue, Expenses
and Changes in Net Assets
Proprietary Fund
For the Year Ended September 30, 2004**

	<u>Internal Service Fund</u>
Operating Revenue:	
Current user charges	\$ <u>3,600</u>
Operating Expenses:	
Depreciation	1,504
Supplies	<u>183</u>
Total Operating Expenses	<u>1,687</u>
Changes in Net Assets	1,913
Net Assets, beginning of year	<u>12,950</u>
Net Assets, end of year	<u><u>\$ 14,863</u></u>

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2004**

	<u>Internal Service Fund</u>
Cash flows from operating activities:	
Operating income	\$ <u>1,913</u>
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,504
Changes in assets and liabilities:	
Due from other funds	<u>(808)</u>
Net cash provided by operating activities	<u>2,609</u>
Cash flows from capital and related financing activities:	
Purchase of equipment	<u>(2,609)</u>
Net cash used by capital and related financing activities	<u>(2,609)</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>
Interest paid	<u>\$ -</u>

There were no non-cash transactions during the period.

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eastern Upper Peninsula Regional Planning and Development Commission, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Commission:

A – Reporting Entity:

Financial Reporting Entity

Eastern Upper Peninsula Regional Planning and Development Commission (the “Commission”) was established by the Board of Commissioners of Chippewa, Luce and Mackinac counties. The Commission’s purpose is to discuss and study community challenges and problems of mutual interest and concern, and to mutually develop policies and recommendations for ratification and implementation by the region’s local governments. Membership in this Commission consists of the local government of the three County area and other appointed officials.

The financial statements include all of the funds and account groups relevant to the operations of the Commission. There are no separately administered organizations that are controlled by or are dependent on the Commission; therefore, no additional organizations are included in the financial statements.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of account. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All other revenue items are considered to be available only when cash is received by the Commission.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid. A deposit of \$75,000 with the Commission's risk management Commission is recorded as a prepaid expense to reflect the amount available to pay for incidental claims under the Commission's deductible amount.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Equipment and Furniture	3-10 years
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Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents consist of demand deposit cash in savings, money market accounts, and certificates of deposit.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets – The Commission is not required to adopt an operating budget by law; therefore, no budgetary comparison has been included in the financial statements.

Risk of Loss – The Commission is exposed to various risks of losses related to torts; theft of; damage to, and distribution of assets; error and omissions; injuries to employees; and natural disasters. The Commission has purchased commercial insurance to cover these loss risks.

NOTE 3 - CASH AND EQUIVALENTS

Statutory Commission:

Michigan law (Act 196 PA 1997) authorizes the Commission to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the Commission to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 3- CASH AND EQUIVALENTS: (Continued)

The Commission's deposits are in accordance with statutory authority. The Commission's deposits are located in several local financial institutions. All deposits are carried at cost.

<u>Balance Sheet Account</u>		<u>Cash Items</u>	
Cash and equivalent	\$ 17,116	Checking	\$ 17,116
	<u>\$ 17,116</u>		<u>\$ 17,116</u>

The deposit risk disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 3 are summarized as follows:

	<u>Insured</u>	<u>Uninsured</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking and Savings	\$ 20,309	\$ -	\$ 20,309	\$ 17,116

The Commission's deposits are 100% covered by FDIC insurance.

NOTE 4 – GRANTS RECEIVABLE:

The following is a summary of government fund type grants/contracts receivable at September 30, 2004:

U.S. Department of Commerce	\$ 54,362
Michigan Council of Arts	450
Michigan Department of Transportation	31,157
State of Michigan – Hazard Mitigation	46,747
State of Michigan – R-CAP/R-CAPSW	17,132
Misc./Other	<u>13,500</u>
Total	<u>\$ 163,348</u>

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Notes to Financial Statements
September 30, 2004**

NOTE 5 - CAPITAL ASSETS:

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments /Decreases</u>	<u>Ending Balance</u>
Assets being depreciated:				
Other capital assets:				
Furniture & fixtures & equipment	<u>\$ 36,613</u>	<u>\$ 2,609</u>	<u>\$ -</u>	<u>\$ 39,222</u>
Subtotal	<u>36,613</u>	<u>2,609</u>	<u>-</u>	<u>39,222</u>
Accumulated depreciation:				
Furniture & fixtures	<u>(28,062)</u>	<u>(2,213)</u>	<u>-</u>	<u>(30,275)</u>
Subtotal	<u>(28,062)</u>	<u>(2,213)</u>	<u>-</u>	<u>(30,275)</u>
Net Capital Assets	<u>\$ 8,551</u>	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ 8,947</u>

NOTE 6 – LONG-TERM OBLIGATION:

The following is a summary of the Commission's long-term obligations as of September 30, 2004 and the transactions during the year then ended:

General long-term debt:

	<u>October 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>September 30, 2004</u>
Accrued liability for vested compensated absences	<u>\$ 4,937</u>	<u>\$ 6,816</u>	<u>\$ 5,415</u>	<u>\$ 6,338</u>

NOTE 7 – DEFINED CONTRIBUTION PLAN:

The Commission has established a TSA Plan under Internal Revenue Code 403(b) which covers all full time employees with permanent status who are at least 21 years of age and have successfully completed the 90 day probationary period. Employees are immediately vested in the plan. Employees may contribute up to 20% of their gross salary. The Commission matches the employee's contribution up to 10% of the employee's gross salary. For the year ended September 30, 2004 the Commission contributed \$21,754 including employee contributions of \$10,067. All employees participate in the plan and eligible wages totaled \$120,791.

NOTE 8 – CONTINGENCIES:

The Commission receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination could become a liability of the applicable fund. It is the opinion of administration that any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types.

NOTE 9 – INTERFUND RECEIVABLE/PAYABLE:

During fiscal 2004 various transactions occurred for computer usage resulting in the following interfund transactions:

DUE FROM	
DUE TO	General Fund
Internal Service	<u>\$ 9,336</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 10 - RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Commission has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE:

Effective October 1, 2003, the Commission implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.



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REPORT TO MANAGEMENT

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We have audited the financial statements of the EUP Regional Planning & Development Commission for the year ended September 30, 2004, and have issued our reports thereon dated November 5, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Commission. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of our audit, we considered the internal control structure of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The Commission adopted the provisions of GASB Statement 34 during the year.

Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Commission that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, did not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the EUP Regional Planning & Development Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit. We encountered no difficulties in accumulating the necessary documentation to support our financial statements.

Comments and Recommendations

Lease Agreement: The Commission does not have a current signed lease for space costs from the Community Action Agency. Federal regulations require that all rental agreements be in written form.

Status: No Change.

Internal Service Fund, General Fixed Asset Group of Accounts, General Long Term Debt Group of Accounts: These funds need to be input onto the Quickbooks software to incorporate its operation into the day to day activities of the organization.

Status: No Change

Conclusion

This report is intended solely for the information and use of management of the EUP Regional Planning & Development Commission federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

November 5, 2004